

EAST RENFREWSHIRE COUNCILCABINET18 February 2016Report by Director of EnvironmentUNIVERSAL CREDIT AND THE FUNDING OF SUPPORTED AND TEMPORARY
ACCOMMODATION**PURPOSE OF REPORT**

1. To advise the Cabinet on the potential financial impacts of Universal Credit on the funding of homeless temporary accommodation and supported accommodation within East Renfrewshire.

RECOMMENDATIONS

2. The Cabinet is asked to:
- (a) Approve the requirement for a financial contribution of £97,600 in 2016/17 from the Welfare Reform contingency fund to cover the costs of appropriate support at Connor Road, Overlee House and other short stay flats;
 - (b) Approve the proposal to enter into discussions with Barrhead Housing Association with regard to achieving “exempt accommodation” status for the Connor Road accommodation through them acting as landlord; and
 - (c) Note that further work is underway to determine if any reconfiguration is possible which may allow some of the homeless temporary accommodation at Overlee House and/or the Council’s dispersed short stay flats to be considered as “exempt accommodation”.

BACKGROUND

3. On 8 March 2012, the UK Government enacted its Welfare Reform Act (2012). The Act has resulted in major changes to the benefits system, which have been implemented in a staged process since 2012. These changes include Universal Credit, Personal Independence Payment changes and the Housing Benefit Under-occupancy penalty (often referred to as the ‘Bedroom Tax’), as well as the ‘Benefit Cap’, which restricts the total amount a household can receive in benefits.

4. The Cabinet will be aware of reports to the Cabinet in 2012, 2013, 2014 and 2015 reporting on the Council’s progress in addressing issues arising from Welfare Reform, including the forthcoming introduction of Universal Credit.

5. The Department for Work & Pensions (DWP) have confirmed that the roll-out of Universal Credit in East Renfrewshire will take place from 15 February 2016. Initially, the roll-out will apply only to new claimants (or those with a change in circumstances) who are single people of working age, but will be expanded to couples and families from April 2017. DWP project there will be 315 Universal Credit claimants in East Renfrewshire between 15 Feb 2016 and 31 March 2017.

6. In addition to the phased introduction of Universal Credit, the UK Government plans to reduce the Benefit Cap (the maximum amount which can be paid in benefit to households) from £350 per week to £258 per week from as early as April 2016. The restrictions imposed by the Benefit Cap will apply to all benefit claimants but will impact most on those housed in homeless temporary accommodation and/or supported accommodation because of the high rents that are charged due to support services costs.

REPORT

7. The funding for services such as homeless temporary accommodation at Overlee and elsewhere, and the supported accommodation at Connor Road currently comes from a combination of rental income (mainly through Housing Benefit) and Council funding. As a consequence of the introduction of Universal Credit together with wider welfare reform changes such as the Benefit Cap, the rental income from these properties will be reduced because users of the service could not afford to pay the current rentals since their benefits would be capped at a level below the current rentals. This will result in funding shortfalls for both homeless provision and the supported accommodation at the Connor Road project. These shortfalls will threaten the level of service provided. In order to maintain the current level of service provision (such as staffing), additional funding from the Council's budget will be required.

8. Under Universal Credit, the amount of housing costs payable to tenants in temporary accommodation or supported accommodation will be reduced to the appropriate Local Housing Allowance (LHA) rate, which in East Renfrewshire, is either £60pw or £67pw depending on location. This is considerably less than the rents currently charged for temporary or supported accommodation.

9. When Universal Credit is fully rolled out there is likely to be a significant additional cost to the Council of providing temporary and supported accommodation. One option would be to reduce the cost of providing the service by reducing staffing levels. However, this would decrease the amount of support available to vulnerable homeless households and would potentially impact on issues such as tenancy sustainment and anti-social behaviour.

10. The introduction of Universal Credit, and the resulting restrictions on housing costs claimable, is estimated to create the potential for additional costs of around £278,000 per annum to maintain current levels of service provision. This figure is based on maximum occupancy of the Councils' current supply of homeless temporary and supported accommodation, all of which is currently met by housing benefit. The client group at the Connor Road supported accommodation project is largely affected by the initial roll-out of Universal Credit. The potential losses at the Connor Road project are therefore likely to accrue quickly. By 2017, it is anticipated that all of the residents within Connor Road will be subject to Universal Credit and the Benefit Cap, with very significant financial impacts.

11. The table below takes account of the gradual implementation of Universal Credit, with a projected figure of 35% of residents in homeless temporary accommodation in 2016-17 rising to 100% in 2018-19 and thereafter. In Connor Road, 100% of residents are projected to be on Universal Credit by 2017/18. The table shows the projected financial impacts on homeless temporary accommodation and the supported accommodation at Connor Road for those periods.

Projected financial impact/year	2016/17	2017/18	2018/19
Connor Road	£37,037 (assumes 35% of residents on UC)	£105,820 (assumes 100% of residents on UC)	£105,820 (assumes 100% of residents on UC)
Homeless Temporary Accommodation (Overlee and dispersed short-stay flats including PSL)	£60,570 (assumes 35% of residents on UC)	£139,792 (assumes 75% of residents on UC)	£173,056 (assumes 100% of residents on UC)
Totals	£97,607	£245,612	£278,876

12. In order to address the potential shortfall of £97,600 (£37,037 +£60,570) for 2016 it is proposed that this be funded from the Councils Welfare Reform Contingency Fund. Approval of this sum for 2016/17 would allow the provision of services at Connor Road, Overlee and the Councils' dispersed short-stay flats to continue at the same level as is provided at present in that period.

13. A reduction in the services provided to the vulnerable people, many of whom are accommodated at Connor Road or our homeless temporary accommodation as a result of some very difficult circumstances, would significantly impact on their life chances and the possibility of sustaining a tenancy of their own. In addition, the potential effects on void levels and anti-social behaviour could be significant.

14. To mitigate the threat to future provision at Connor Road, consideration has been given as to whether those properties could be considered as "exempt properties" in terms of paragraph 4 (10) of Schedule 3 of the Housing Benefit and Council Tax Benefit (Consequential Provisions) Regulations 2006. Exempt accommodation is defined as being either

- A resettlement place or
- Accommodation which is provided by a County Council
- A Housing Association
- A registered charity or a voluntary organisation
- And where that body or person(s) acting on their behalf, provides the claimant with care, support or supervision (bullet points 1 and 2 do not apply in Scotland)

15. At present the Council leases the property at Connor Road from Barrhead Housing Association and then the Council rents the flats on to individual tenants through a short Scottish Secure Tenancy.

16. Consideration is being given to the possibility of the Council entering into an arrangement with Barrhead Housing Association whereby the Housing Association (rather than the Council) would become landlord to the individual tenants, through a Short Scottish Secure Tenancy. The Council and the Housing Association would enter into a Service Level Agreement/Leasing arrangement which would allow the Council's support team based at Connor Road to continue to provide the same services to individual residents as are provided at present. This proposal would enable the project to meet the definition of 'exempt accommodation'. These services (care, support and supervision) would be provided on behalf of the landlord, which would then be Barrhead Housing Association, instead of the Council as is presently the case. Tenants' rights and responsibilities would remain as at present.

17. If this proposal could be achieved then it would allow the Connor Road project to avoid the financial impacts of universal credit and the benefit cap creating a potential saving based on projected figures shown above of around £249,000 in total over the next three years.

18. Further work is also underway to determine if any re-configuration is possible which might allow some of the homeless temporary accommodation at Overlee House, and/or the Council's dispersed short-stay flats to be considered as exempt from the effects of Universal Credit and the Benefit Cap.

19. COSLA has been made aware of the issues around the definition of 'exempt accommodation' as it applies in Scotland. As a result, COSLA have lobbied the UK Government and the DWP to request that the definition of 'exempt accommodation' be amended to include temporary and supported accommodation provided by Scottish local authorities. The UK Government and the DWP have so far been unwilling to amend this definition to bring it in line with England. This was confirmed in November 2015 in a report to COSLA's Community & Well Being Executive Group (CWEG Item 5.3), which also noted that COSLA would continue to make the case to extend the definition of 'exempt accommodation' to the Scottish Government.

FINANCE AND EFFICIENCY

20. The financial implications of not approving this request will be insufficient income to manage and maintain the service. If none of the options noted were able to significantly mitigate the financial impact of the introduction of Universal Credit and the Benefit Cap, the Council may have to consider reducing the current service provision mainly at Connor Road and Overlee.

CONSULTATION

21. Consultation has been ongoing with staff within Finance and the Housing Benefit team.

PARTNERSHIP WORKING

22. There is no requirement for partnership working at this point in time.

IMPLICATIONS OF THE PROPOSALS

23. There are no equality, IT, property, sustainability implications associated with this report.

CONCLUSIONS

24. The introduction of Universal Credit and the Benefit Cap will place a significant pressure on the funding arrangements for both supported accommodation at Connor Road and the homeless temporary accommodation at Overlee and elsewhere. If means of mitigating the impact of these measures cannot be found, consideration will require to be given to reducing the costs of each, with potentially significant impacts on the quality of service and the life chances of vulnerable residents. Negotiations with Barrhead Housing Association should be held, along with investigations into any other steps which might be taken into mitigating the impact of Universal Credit and the Benefit Cap on homeless temporary accommodation.

RECOMMENDATIONS

25. The Cabinet is asked to:

- (a) Approve the requirement for a financial contribution of £97,600 in 2016/17 from the Welfare Reform contingency fund to cover the costs of appropriate support at Connor Road, Overlee House and other short stay flats;
- (b) Approve the proposal to enter into discussions with Barrhead Housing Association with regard to achieving “exempt accommodation” status for the Connor Road accommodation through them acting as landlord; and
- (c) Note that further work is underway to determine if any reconfiguration is possible which may allow some of the homeless temporary accommodation at Overlee House and/or the Council’s dispersed short stay flats to be considered as “exempt accommodation”.

Director of Environment

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January 2016

KEY WORDS: A report seeking Cabinet approval. Universal Credit, Temporary Accommodation, Supported Accommodation

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